

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01
AF-08 ARA-06 NEA-10 OIC-02 /132 W
-----021540 113430 /45

R 011747Z MAR 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3136

INFO ALL EC CAPITALS 3197

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY SINGAPORE

C O N F I D E N T I A L EC BRUSSELS 1960

NOFORN

E.O. 11652: GDS

TAGS: UNCTAD, ETRD, EPAP, EEC

SUBJECT: RUBBER DISCUSSIONS AND GSP - COMMISSION OFFICIAL
INDICATED FURTHER PROGRESS IN EC POSITION.

REF: (A) EC BRUSSELS 890, (B) EC BRUSSELS 183, (C) EC BRUSSELS 397

1. EC COMMISSION OFFICIAL TRAN VAN THINH, WHO IS HANDLING
UNCTAD RUBBER DISCUSSIONS AND GSP, RECENTLY DISCUSSED WITH
MEMBER STATE AND KEY INDUSTRY OFFICIALS UNCTAD RUBBER
DISCUSSIONS. TRAN BELIEVES ALL MEMBER STATES, EXCEPT
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PERHAPS THE FRG, WILL LIKELY EVENTUALLY SUPPORT AN INTERNATIONAL
NATURAL RUBBER AGREEMENT. MOST MEMBER STATES,
EXCEPT FRG, ARE ALSO WILLING TO CONSIDER CONTRIBUTING
TO BUFFER STOCK FINANCING. SEVERAL KEY ISSUES,
HOWEVER, MUST BE RESOLVED BEFORE MEMBER STATES ADOPT
DEFINITIVE POSITIONS. FOR EXAMPLE, MEMBER STATES ADOPT
WOULD LIKE AGREEMENT TO INCLUDE FLOOR AND CEILING

PRICES FOR STOCK INTERVENTIONS. TRAN ESTIMATES THAT THE STOCK SIZE SHOULD BE 300 - 400,000 MT. IT SHOULD BE COMPOSED OF GOOD QUALITY RUBBER. TO GET AROUND FRG OBJECTION TO DIRECT CONTRIBUTION, TRAN IS CONSIDERING THE IMPOSITION OF A LEVY ON RUBBER EXPORTS TO FINANCE BUFFER STOCK COSTS. HE HOPES THAT THE PRODUCERS WOULD AGREE TO REDUCING THEIR TAXES ON NATURAL RUBBER SO THAT THE LEVY WOULD NOT APPRECIABLY INCREASE THE COST OF EXPORTED RUBBER.

2. IN CONVERSATIONS WITH INDUSTRY LEADERS, TRAN REPORTS THAT EUROPEAN SYNTHETIC PRODUCERS GENERALLY FAVOR AN AGREEMENT BECAUSE THEY WANT TO STABILIZE NATURAL RUBBER PRICES. EUROPEAN PRODUCERS FORESEE A CONTINUED AND EXPANDED NEED FOR NATURAL RUBBER. HOWEVER, SYNTHETIC PRODUCERS CAUTION THAT THE NATURAL RUBBER PRICE SHOULD BE KEPT RELATIVELY LOW IN ORDER TO AVOID ENCOURAGING PRODUCTION OF POLYISOPRENE. THIS PRODUCT IS AN ESPECIALLY GOOD SUBSTITUTE FOR NATURAL RUBBER. SHELL AND GOODYEAR HAVE A SMALL EUROPEAN PLANT PRODUCING POLYISOPRENE. THESE FIRMS INDICATE THAT IF THE PRICE OF NATURAL RUBBER CAN BE HELD TO ABOUT 2.2 DEUTSCH MARKS PER KILO AT CURRENT PRICES, IT WOULD NOT BE ECONOMICALLY FEASIBLE TO INVEST HEAVILY IN FURTHER POLYISOPRENE PRODUCTION. HOWEVER, SHOULD THE CURRENT MARKET PRICE GO UP TO ABOUT 2.6 DM, THESE FIRMS MIGHT CONSIDER SUBSTANTIAL INVESTMENTS IN THIS SYNTHETIC.

3. TRAN SAYS, THAT THE EAST EUROPEANS, ESPECIALLY THE

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SOVIET UNION, ARE THE MAJOR PRODUCERS OF POLYISOPRENE. THE SOVIETS CURRENTLY ARE PRODUCING ABOUT 500,000 MT ANNUALLY AND ARE CAPABLE OF DOUBLING THIS PRODUCTION. HE FORESEES EXTENSIVE SOVIET EXPORTS TO THE COMMUNITY, ESPECIALLY TO THE FRG AND UK. THESE EXPORTS COULD UNDERCUT NATURAL RUBBER IMPORTS, PARTICULARLY IF THE SOVIETS TEMPORARILY REDUCED THE PRICE IN ORDER TO DISPLACE NATURAL RUBBER. TRAN BELIEVES THE EAST EUROPEANS WILL SUPPORT AN AGREEMENT IN THE HOPES THAT IT WOULD DRIVE UP THE PRICE OF NATURAL RUBBER, BUT THEY WILL REFUSE TO CONTRIBUTE TO FINANCING THE BUFFER STOCK.

4. TRAN WOULD LIKE TO OBTAIN US VIEWS REGARDING SUBSUITABILITY OF POLYISOPRENE FOR NATURAL RUBBER AND SOVIET PRODUCTION CAPABILITIES. HE LOOKS FORWARD TO DISCUSSING, INTER ALIA, THESE ISSUES DURING HIS FORTHCOMING WASHINGTON CONSULTATIONS. TRAN WANTS TO COORDINATE CLOSELY WITH US ON HANDLING OF UNCTAD

RUBBER DISCUSSIONS.HINTON

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Message Attributes

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